

Business Update

September 2003

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New Law Brings Unemployment Tax Changes

New legislation this year results in several changes to Washington's unemployment insurance program. Changes that affect employers include:

- **Employer Penalties.** Amends RCW 50.12.220 to change the amount an employer is penalized for the failure to file contribution reports in a timely and complete manner to not more than 10% of the quarter's taxes and not to exceed \$250.
- An employer who knowingly misrepresents the amount of their payroll to the department shall be liable to the state for up to ten times the amount of the difference in the taxes paid, if any, and the amount the employer should have paid as well as for the reasonable expenses of auditing his or her books.
- If an employer tries to evade the correct tax rate for successor business, the business may be assigned a penalty tax rate to be determined under RCW 50.29.025.
- *These penalties were effective June 20, 2003, however, the Department plans to develop and implement an education effort for the business community to advise them of the new penalties prior to enforcing them.*
- **Stock Options.** This section exempts from the definition of "wages" stock options granted to an individual for any reason specifically connected to their

employment. - *Effective January 1, 2004.*

Tax Rates:

- **Experience Rating:** A ratio of benefits charged to taxable wages will be calculated for an employer. Based on that ratio, all qualified employers are allocated into 40 rate classes with rates ranging from 0.0% to 5.4%. - *Effective January 1, 2005.*
- **Socialized Cost:** A graduated social cost tax is added to recover some of the socialized costs in the unemployment insurance program. The social cost is calculated by taking the amount of benefits paid in the 12 months ending June 30 and subtracting the amount of the experience rated taxes paid during the same period. The remainder is then divided by the total taxable wages paid for the same period. These range from 78% to 120% depending on the employer's tax rate. - *Effective January 1, 2005.*
- **Solvency Surcharge:** If the balance in the unemployment insurance trust fund will provide fewer than six months of benefits, an employer's contribution rate may include a solvency surcharge. The solvency surcharge is based on the lowest rate necessary to provide revenue during a rate year that will fund unemployment benefits for eight months of benefits. - *Effective January 1, 2005.*

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Unemployment Insurance Benefits

Public employers may be liable for unemployment insurance (UI) benefits paid to retirees. This could occur if the retiree returns to work and is later laid off due to a lack of work. State UI laws require that pensions be deducted from UI benefits, but in some situations the pension may not be deductible.

Substitute House Bill 1829 required the Department of Retirement Systems to inform employers about the potential of paying UI benefits to retirees. These payments could

result in a significant budget impact to your agency or department.

Questions regarding UI benefits should be directed to Employment Security Tax Administration at (360) 902-9686 or visit their Website at <http://www.wa.gov/esd/tax/index.htm>.

Post Office Boxes are Correct

A number of businesses contacted the Department this past quarter letting us know that their tax reports and/or payments had been returned to them by the Post Office indicating the address was no longer current. The Post Office returned these documents in error. The current and correct PO Box numbers are:

UIFastTax Coupons and ICESA Payments:

PO Box 34467
Seattle WA 98124-1467

Payments sent with paper reports:

PO Box 34729
Seattle, WA 98124-1729

Payment sent with Monthly Billing Coupons:

PO Box 34949
Seattle, WA 98124-1949

Please update your records if these are not the addresses you are currently using. None of these post boxes have expired.

Online Articles

Local Events

- 9/25 - Spokane Job Fair
- 11/18 - Small Business Marketing Seminar
- WorkSource Rainier - Job Connection
- IRS - Small Business Workshops

Learn about:



and

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at

www.wa.gov/esd/uifasttax

District Tax Offices

Bellevue	(425) 649-4388
Bellingham	(360) 676-2070
Lynnwood	(425) 774-2380
Olympia	(360) 407-5145
Out of State	(360) 902-9620
Seattle North	(206) 706-3801
Seattle South	(206) 766-6300
Spokane	(509) 532-3090
Tacoma	(253) 593-7380
Tri-Cities	(509) 734-5880
Vancouver	(360) 735-5050
Wenatchee	(509) 662-0448
Yakima	(509) 574-0137

Washington State
Employment Security

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Certain alien workers no longer eligible for unemployment:

Employers are no longer required to report wages or pay unemployment taxes for certain temporary workers from other countries. The exemption applies to about 900 workers with specialized skills.

These employees possess certain work visas (categories H-2A and H-2B). Under the new law, they will not be eligible for unemployment benefits in Washington. - *Effective June 20, 2003.*

Changes to those benefit charges that have previously been socialized:

- Benefit charges for claimants identified as Marginally Attached to the Labor Force are no longer socialized costs. - *Effective June 20, 2003.*
- Benefit charges for a claimant who quit a base year employer to go to work for another base year employer who then lays the claimant off will be assessed to the last employer. The first employer will no longer have those benefit charges socialized. This only applies to taxable employers.
- Benefit charges for a claimant who quits their last employer who is also a base period employer will have all benefit charges assessed to the last employer if the department finds that there is good cause for the voluntary quit. This applies only to taxable employers. - *Effective January 4, 2004.*

There are other changes to unemployment insurance benefits and other tax changes that are effective in 2005. We will tell you more about those changes in future issues.

Additional information regarding these legislative changes can be found at: <http://www.wa.gov/esd/ui/6097info.htm>.

Anyone who would like to schedule a presentation regarding these changes can call (360) 902-9335 or e-mail jowatson@esd.wa.gov.

Benefit Accuracy Measurement

Benefit Accuracy Measurement is a diagnostic tool used to evaluate the paid claims in the Unemployment Insurance Benefits program. It identifies errors and their causes, and corrects and tracks solutions to those problems.

Each week, claims are randomly selected for an audit. This includes, but is not limited to, interviewing the claimant, verifying the work search contacts they have indicated in their efforts to become re-employed, and establishing they have no barriers to potential re-employment.

Also reviewed are any intervening employment or wages they have reported during the course of their claim and verifying all base year wages used to

establish their monetary eligibility.

If there are any errors identified during the audit of a claim, the Benefit Accuracy Measurement unit, under the guidance of the Unemployment Insurance Performance Audit unit, rectifies those errors and assigns responsibility to the appropriate entities.

This may be in the form of a non-monetary determination written against the claimant who has been determined the responsible party and has the liability to repay any overpayment that has been assessed against them.

If you would like further information on this program, contact Mary Kirker, UI Performance Audit Manager at (360) 438-3101.

Alternate Base Year (ABY) Letter to Employers

During the first seven weeks of every new calendar quarter you may receive a letter from us requesting wage and hours worked information on a former employee. You would receive the letter in instances where the former employee needs this information to file a claim for unemployment insurance benefits.

As this wage and hours worked information is needed prior to you filing your Quarterly Tax Report, we send you an "Alternate Base Year" letter to complete and return to us.

Your quick response may assist the former employee with their unemployment claim. The wages you report on the letter should be the same figures that you will enter on the Employers Quarterly Report.

Employee or Contractor?

Are you correctly classifying your workers? Are they a contractor or an employee?

To assist you in making a determination, please take the time to review these Employment Security laws: Employment Exception Tests (RCW 50.04.140) located at <http://www.leg.wa.gov/RCW/index.cfm?fuseaction=section§ion=50.04.140> and Employment -- Services performed for contractor, when excluded (RCW 50.04.145) located at <http://www.leg.wa.gov/RCW/index.cfm?fuseaction=section§ion=50.04.145>.

Still not sure? Contact your District Tax Office for a determination.

Quarterly UI Tax reports and payments are due October 31, 2003.

Shared Work: An Employer Alternative to Layoffs

Employment Security's Shared Work Program offers employers of Washington State an alternative to layoffs of skilled employees during temporary declines in business.

Shared Work is a voluntary program that benefits both the employer and the participating employees by saving jobs and money and can accommodate a variety of work situations.

Rather than laying off a percentage of the work force, qualifying employers can reduce the number of weekly work hours of all or a particular group of employees. Retaining skilled employees spares the employer the expense of recruiting, hiring, and training new employees. Employers can also save on payroll costs.

Employees who qualify as participants are spared the hardship of full unemployment, and realize more net income than they would have if they had been totally laid off. Employees who have had their work hours reduced under the program can receive partial unemployment insurance benefits to supplement their reduction in wages.

For additional information on the Shared Work Program and employer application forms, visit the Internet at <http://www.wa.gov/esd/tax/sharedwk.htm> or call 1-800-752-2500.

The Shared Work Program cannot be used to subsidize seasonal or part-time employees.

WORKSource
Washington

List job openings.
Search resumes.
All at no cost.

go2worksource.com

Report a Fraud Today!

Know of a dishonest contractor, employer, worker, health care provider, or attorney?

Report-a-fraud hotline:
1-888-811-5974

Report-a-fraud website:
www.lni.wa.gov/fraud/

Employment Security is an equal opportunity employer and provider of employment and training services. Auxiliary aids and services are available upon request to persons with disabilities.